

§ 1.41-3A

for 1977. D is not a candidate for 1977. B may elect the credit under section 41 or deduction under section 218 for the contribution in 1977.

Example 2. Assume the same facts as in example (1), except that B earmarks the contribution solely to further the candidacy of D. B may not elect the credit under section 41 or deduction under section 218 for the 1977 contribution.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-3A Same—unspent contributions.

(a) *General rule.* Except as provided in paragraph (b) of this section, all unspent political contributions must be used within a reasonable period of time to make a deposit or contribution described in section 527 (d).

(b) *Special rules—(1) Candidates.* An individual who was a candidate may retain unspent political contributions in reasonable anticipation of using them solely to support his or her future candidacy for any Federal, State, or local elective public office.

(2) *Campaign committee.* A campaign committee may retain unspent political contributions in reasonable anticipation of using them to support the future candidacy of any individual for any Federal, State, or local elective public office.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-4A Same—procedure for electing a credit or deduction.

(a) *Scope note.* This section prescribes procedures for making the election under sections 41 and 218 to take either a credit or deduction for political and newsletter contributions.

(b) *How to elect.* A taxpayer elects the credit or deduction by making the appropriate entries on his or her income tax return for the taxable year in which the contribution is made.

(c) *Changing or revoking one's election.* The election may be changed or revoked. Thus, a taxpayer may change an election from credit to deduction or vice versa. In addition, if a taxpayer elects a credit or deduction for a particular taxable year to which, it later turns out, he or she is not entitled, the taxpayer must pay any additional tax that is due as a result. A taxpayer may

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change or revoke the election by use of an amended return.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-5A Same—verifications.

This section prescribes rules under sections 41(b)(3) and 218(b)(2) to tell a taxpayer how to verify political and newsletter fund contributions for which a credit or deduction is claimed. A taxpayer must have a written receipt to substantiate any claim that a contribution was made. A cancelled check, the payee of which is a person or fund described in section 41(c) (1) or (5), ordinarily meets this requirement. However, in appropriate cases, the Internal Revenue Service may require a taxpayer to furnish additional proof that the payee was a person or fund described in section 41(c) (1) or (5), or that the purpose of the payment was to make a political or newsletter fund contribution.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-6A Same—taxation of certain organizations.

See section 527 and the regulations thereunder for the tax treatment of a person or fund described in section 41(c) (1) or (5) that is treated as a section 527(e)(1) political organization.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-7A Same—transitional rule for past contributions.

A credit or deduction for a political contribution the payment of which was made before January 1, 1980 will be allowed if it meets the requirements for a credit or deduction under the notice of proposed rulemaking published on September 19, 1972 (37 FR 19140).

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-8A Same—effective dates.

(a) *Political contributions.* Except as otherwise provided, these regulations apply to political contributions made in taxable years of the contributor beginning after December 31, 1971.

(b) *Newsletter fund contributions.* These regulations apply to newsletter

fund contributions made in taxable years of the contributor beginning after December 31, 1974.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.42-0 Table of contents.

This section lists the paragraphs contained in §§ 1.42-1 and 1.42-2.

§ 1.42-1 [Reserved]

§ 1.42-2 Waiver of requirement that an existing building eligible for the low-income housing credit was last placed in service more than 10 years prior to acquisition by the taxpayer.

- (a) Low-income housing credit for existing building
- (b) Waiver of 10-year holding period requirement
- (c) Waiver requirements
 - (1) Federally-assisted building
 - (2) Federal mortgage funds at risk
 - (3) Statement by the Department of Housing and Urban Development or the Farmers' Home Administration
 - (4) No prior credit allowed
- (d) Application for waiver
 - (1) Time and manner
 - (2) Information required
 - (3) Other rules
 - (4) Effective date of waiver
 - (5) Attachment to return
- (e) Effective date of regulations

[T.D. 8302, 55 FR 21189, May 23, 1990]

§ 1.42-1 [Reserved]

§ 1.42-1T Limitation on low-income housing credit allowed with respect to qualified low-income buildings receiving housing credit allocations from a State or local housing credit agency (temporary).

(a) *In general*—(1) *Determination of amount of low-income housing credit.* Section 42 provides that, for purposes of section 38, a low-income housing credit is determined for a building in an amount equal to the applicable percentage of the qualified basis of the qualified low-income building. In general, the credit may be claimed annually for a 10-year credit period, beginning with the taxable year in which the building is placed in service or, at the election of the taxpayer, the succeeding taxable year. If, after the first year of the credit period, the qualified basis of a building is increased in excess of the qualified basis upon which the credit was initially determined, the al-

lowable credit with respect to such additional qualified basis is determined using a credit percentage equal to two-thirds of the applicable percentage for the initial qualified basis. The credit for additions to qualified basis is generally allowable for the remaining years in the 15-year compliance period which begins with the first taxable year of the credit period for the building. In general, the low-income housing credit is available with respect to buildings placed in service after December 31, 1986, in taxable years ending after that date. See section 42 for the definitions of "qualified low-income building", "applicable percentage", "qualified basis", "credit period", "compliance period", and for other rules relating to determination of the amount of the low-income housing credit.

(2) *Limitation on low-income housing credit allowed.* Generally, the low-income housing credit determined under section 42 is allowed and may be claimed for any taxable year if, and to the extent that, the owner of a qualified low-income building receives a housing credit allocation from a State or local housing credit agency. The aggregate amount of housing credit allocations that may be made in any calendar year by all housing credit agencies within a State is limited by a State housing credit ceiling, or volume cap, described in paragraph (b) of this section. The authority to make housing credit allocations within the State housing credit ceiling may be apportioned among the State and local housing credit agencies, under the rules prescribed in paragraph (c) of this section. Upon apportionment of the State housing credit volume cap, each State or local housing credit agency receives an aggregate housing credit dollar amount that may be used to make housing credit allocations among qualified low-income buildings located within an agency's geographic jurisdiction. The rules governing the making of housing credit allocations by any state or local housing credit agency are provided in paragraph (d) of this section. Housing credit allocations are required to be taken into account by